

**Scaling Up Microfinance**



*Personal Care Services*

## New Product Development for the Underserved Market

Ashvin Prakash and Brenton Peck,  
Center for Financial Services Innovation

October 24, 2013



Provided by **OPPORTUNITYFINANCE NETWORK**

## Go-To-Webinar

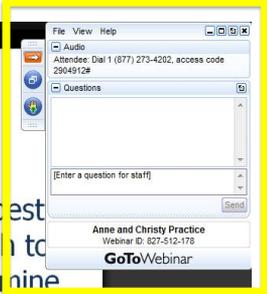
### Scaling Up Microfinance

#### GOAL

To enhance Microfinance CDFIs' exposure to best practices in the field as well as tools with which to analyze their own business practices and determine appropriate strategies to scale.

#### SUCCESS

Each microfinance organization will identify, and begin to implement, at least one new initiative to facilitate scaling operations.




Provided by **OPPORTUNITYFINANCE NETWORK**

## CDFI Fund's Capacity Building Initiative

- The Capacity Building Initiative will greatly expand technical assistance and training opportunities for Community Development Financial Institutions (CDFIs) nationwide and significantly boost the ability of CDFIs to deliver financial products and services to underserved communities.
- Industry-wide training will target key issues currently affecting CDFIs and the communities they serve.



Provided by **OPPORTUNITYFINANCE**  
NETWORK 

## Scaling Up Microfinance Task Order

Expand the capacity of CDFIs that specialize in microfinance through a program focused on decreasing costs, exploring new products, building human capital, and improving business models in order to attract investments.

- 3 Trainings
  - Technical Assistance
  - Virtual Resource Bank



Provided by **OPPORTUNITYFINANCE**  
NETWORK 

## Presenter



Ashvin Prakash  
Consultant, Advisory Services  
Center for Financial Services Innovation  
[aprakash@cfsinnovation.com](mailto:aprakash@cfsinnovation.com)



Provided by OPPORTUNITYFINANCE NETWORK

## Presenter



Brenton Peck  
Consultant, Advisory Services  
Center for Financial Services Innovation  
[bpeck@cfsinnovation.com](mailto:bpeck@cfsinnovation.com)



Provided by OPPORTUNITYFINANCE NETWORK

## Scaling Up Microfinance



# New Product Development for the Underserved Market

Ashvin Prakash and Brenton Peck,  
Center for Financial Services Innovation

October 24, 2013



Provided by OPPORTUNITYFINANCE NETWORK

# New Product Development for the Underserved Market

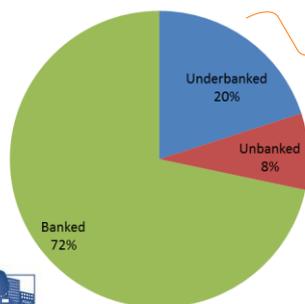
- **Goal of this session**
  - Share a structured framework and tools for approaching new product development efforts
  - Discuss in-market examples of new products being developed for this market segment
  - Hear from an innovator on the experience of developing new products



Provided by OPPORTUNITYFINANCE NETWORK

## The Underserved Population

Approximately 34 million U.S. households – 68 million people – are financially underserved



Total Underserved (of U.S. Households): **28%**



Underserved: all consumers within group by ethnicity	Percentage
55% Black	
48% Hispanic	
41% American Indians	
20% White	
19% Asian	

Source: FDIC 2011 Household Survey

Provided by OPPORTUNITYFINANCE NETWORK



## Why are Consumers Not at a Bank?

### • Top Reasons Never-Banked Households Do Not Have An Account\*

- Do not have enough money to need an account (33%)
- Do not need or want an account (26%)
- Can't open an account due to ID, credit, or banking history problems (8%)
- Don't like dealing with and/or don't trust banks (7%)

### • Top Reasons Previously-Banked Households Closed Their Account\*

- Do not have enough money to need an account (33%)
- Do not need/want account/Do not see value of account (16%)
- Account was closed by the bank (10%)
- Don't like dealing with and/or don't trust banks (8%)



Provided by OPPORTUNITYFINANCE NETWORK

## Why Underserved? Satisfaction with Providers

Almost 80% of underbanked consumers are satisfied with their preferred financial services channel

### Top Reasons for Satisfaction



- It does not take a lot of time
  - *"I'll go to 7-11 in the morning and check my balance, pull out some money...and I'll get the money orders while I'm there at 7-11. I try to handle everything all at once."*



- Helpful employees that treat customers with respect
  - *"Treat people the way you want to be treated. And then educate them so that they don't have those fees and if you educate somebody and you help them, who do you think they're going to be the first person to come to when they need help?"*



Provided by OPPORTUNITYFINANCE NETWORK

## How do you effectively design products for customers who are weary of financial service providers?



Provided by OPPORTUNITYFINANCE NETWORK

## High-Quality Products for Tomorrow



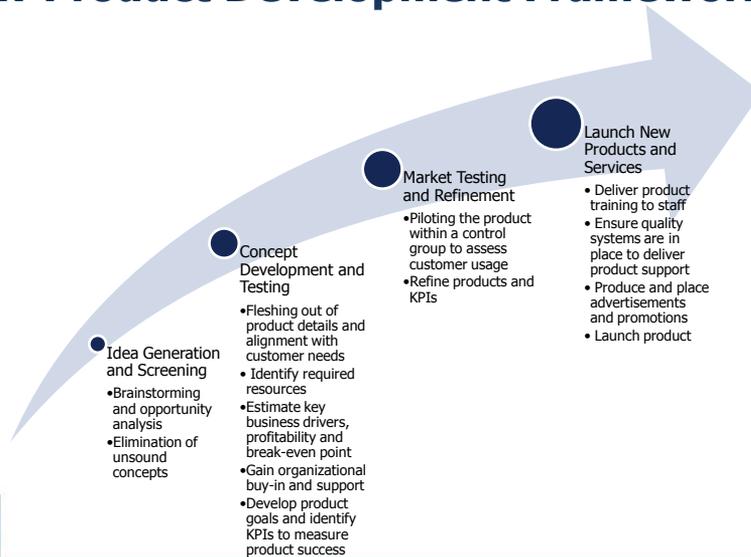
Provided by OPPORTUNITYFINANCE NETWORK

## Product Development Gone Wrong



Provided by OPPORTUNITYFINANCE NETWORK

## New Product Development Framework



Provided by **OPPORTUNITYFINANCE NETWORK**

## Critical Steps for Successful Product Development

- 1) Identify product purpose and goal
- 2) Know your customer and marketplace
- 3) Brainstorm and ideate
- 4) Gain buy-in and support
- 5) Assess your strengths to deliver
- 6) Prepare for launch
- 7) Learn and refine



Provided by **OPPORTUNITYFINANCE NETWORK**

Step One:

# IDENTIFYING PRODUCT PURPOSE AND GOALS



Provided by OPPORTUNITYFINANCE NETWORK

## Key Considerations



1. What is the goal of this product?
2. What does success look like?



Provided by OPPORTUNITYFINANCE NETWORK

## What is the Purpose of this Product?

**New Client Acquisition**

**Existing Product** → **New Products** (Attracting new markets by expanding suite of services)

**Better Serve Existing Clients**

**New Products** (Deepening relationships with existing customers by offering products to meet unmet needs.)

CDFL FUND  
CAPACITY BUILDING INITIATIVE

Provided by OPPORTUNITYFINANCE NETWORK

## How Will We Measure Success?

- Mission alignment**
  - How does this product further the mission of your organization?
- Stakeholder Alignment**
  - How will this product meet the needs of all stakeholders?
- Financial performance**
  - What will make this product a success financially?
- Consumer Impact**
  - What consumer impacts do you hope to achieve with this product?

CDFL FUND  
CAPACITY BUILDING INITIATIVE

Provided by OPPORTUNITYFINANCE NETWORK

Step Two:  
**KNOW YOUR CUSTOMER**



Provided by OPPORTUNITYFINANCE NETWORK

## Key Considerations

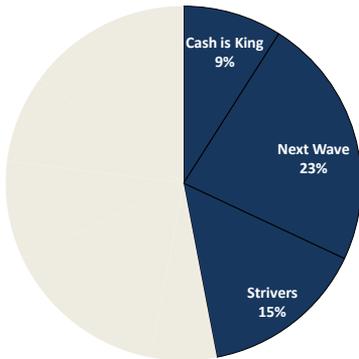
- Who is your target customer?
- What are their needs?
- What are their existing behaviors?
- What are their unique pain points and challenges?



Provided by OPPORTUNITYFINANCE NETWORK

# Customer Segmentation

The Cash Dominant Group



### Cash is King

- Mostly unbanked
- Cash reliant
- Rarely borrow
- Low income with moderate price sensitivity
- Feel financially insecure
- Do not feel in control of their lives
- Unlikely to talk with anyone about money



### Next Wave

- Unbanked: little experience with formal banking
- Youngest segment
- Highly motivated and entrepreneurial
- Low income partially explained by age and/or immigrant status
- Future orientation with traditional financial goals
- Positive associations with banks/CUs
- Strong potential for successful transition to mainstream



### Strivers

- Underbanked; preference or cash purchases, but some use of traditional financial products as well
- Moderate borrowing for a variety of purposes
- Prefer to use banks, credit unions, and supermarkets for financial transactions
- Strong job advancement and educational aspirations
- Most are in peak earning years



Provided by OPPORTUNITYFINANCE NETWORK

# Consumer Profiles

Cash Dominant



**Emily: "I don't have enough to need a bank account"**  
**Age:** 44  
**Occupation:** Church custodian  
**Income:** \$26,000, paid bi-weekly by handwritten check  
**Financial Transactions:** Cashing checks at Walmart  
**Values:** Quick access to paycheck, help setting money aside for rainy day fund  
**Short-term aspirations:** Make repairs to her car  
**Long-term aspirations:** Save for her kids' education

Non-Cash Dominant



**Paul: "I keep multiple accounts for different reasons"**  
**Age:** 68  
**Occupation:** Retired bookkeeper, landlord  
**Income:** \$40,000 (rent income in addition to 401(k))  
**Financial Transactions:** Deposits rent checks at bank, receives 401(k) disbursements on credit union account, pays bills at vendor sites or at convenience stores  
**Values:** Better money management tools, convenience, and savings tools  
**Short-term aspirations:** Afford better health-care insurance  
**Long-term aspirations:** Pay off the mortgage on his home

Mixed Use



**Emma: "I've had some bad experiences with banks in the past"**  
**Age:** 31  
**Occupation:** Teacher  
**Income:** \$42,000  
**Financial Transactions:** Receives direct deposit into checking account and uses a mix of cash and debit cards for payments. Due to overdraft history and damaged credit profile, will use payday loans from time to time to cover unexpected expenses  
**Values:** Low-cost and high service. Help building short-term and long-term savings  
**Short-term aspirations:** Save up for a vacation  
**Long-term aspirations:** Pay down student debt, buy a house



Provided by OPPORTUNITYFINANCE NETWORK



Step Four:  
**BUILD AND GAIN BUY-IN**



Provided by OPPORTUNITYFINANCE NETWORK

## Key Questions for Gaining Buy-in

- Whose support do you need internally to execute on this product?
- What are their priorities and concerns?
- How can you win them over?



Provided by OPPORTUNITYFINANCE NETWORK

## Identify Your Stakeholders

### The Final Approver

- Decides whether or not to commit resources to development of new product
- Driven by economic and organizational impact

### The Implementer

- Individuals who will actually deliver and manage the product on a daily basis
- Interested in how the new product will impact everyday operations in their own areas or departments

### The Gatekeeper

- Screens out impractical ideas
- Make judgments about the measurable and quantifiable aspects of product or service based on how well it meets a variety of specifications
- Unable to approve new products/ideas, but can shutdown new products or services that are not deemed feasible



Provided by **OPPORTUNITYFINANCE**  
NETWORK

## Developing a Business Case

### Problem

- What is the problem we're trying to solve?
- What is the business opportunity?

### Solution

- How are we best positioned to address this problem?

### Approach

- What are the viable options for us to deliver this solution?

### Risk Assessment

- What are the risks associated with each of these options?

### Value analysis

- What business value is generated from each option?

### Recommendation

- What option/direction should the organization pursue?



Provided by **OPPORTUNITYFINANCE**  
NETWORK

Step Five:  
**ASSESS YOUR CAPACITY TO DELIVER**



Provided by OPPORTUNITYFINANCE NETWORK

**Know Your Strengths**

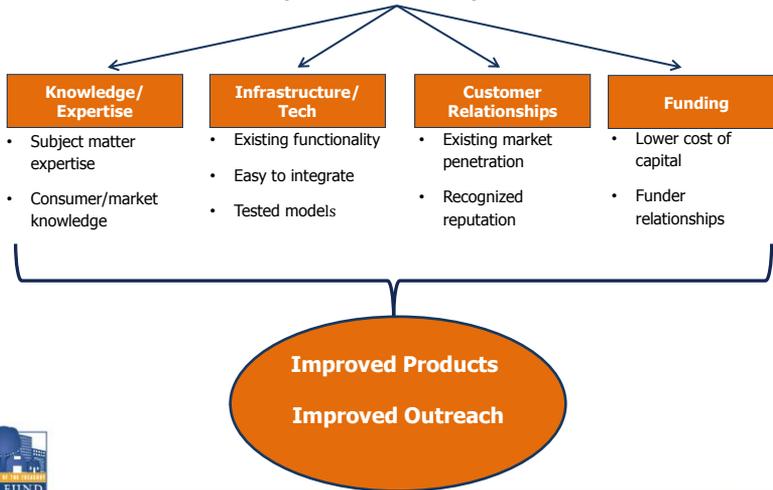
Competency	High	Moderate	Low
Market knowledge			
Customer access			
Processing			
Technology			
Personnel			
Capital			
Relationships			
Reputation			
Infrastructure			
Distribution			



Provided by OPPORTUNITYFINANCE NETWORK

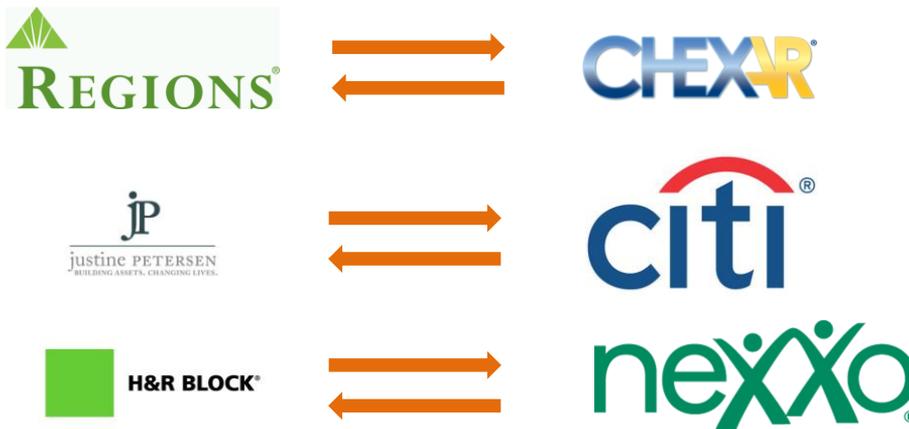
## Why Partnering Can Be Beneficial

### Examples of Partner Competencies



Provided by OPPORTUNITYFINANCE NETWORK

## Examples of Successful Partnerships



Provided by OPPORTUNITYFINANCE NETWORK

Step Six:  
**DEVELOP YOUR LAUNCH STRATEGY**



Provided by OPPORTUNITYFINANCE NETWORK

**Launch your Product**



Provided by OPPORTUNITYFINANCE NETWORK

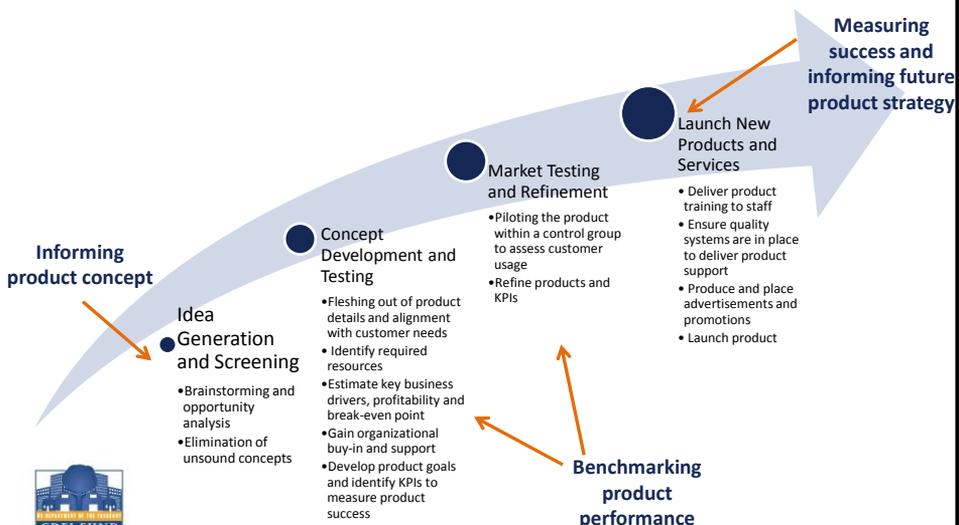
Step Seven:

# EVALUATE AND REFINE



Provided by OPPORTUNITYFINANCE NETWORK

## The Role of Product Evaluation



Provided by OPPORTUNITYFINANCE NETWORK

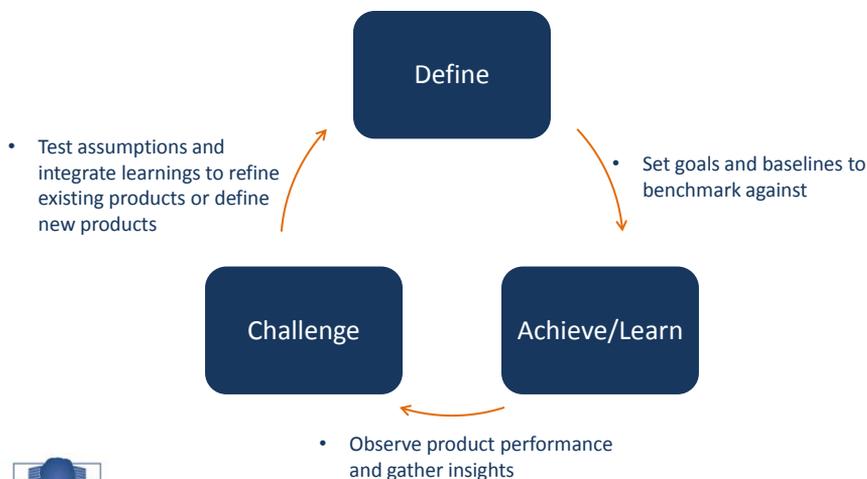
## Examples of Benchmarking

Product Goals	Key Performance Indicators
<b>Product Goal 1: Financial Performance</b> Product should be financially viable and sustainable and contribute to organizational revenue growth.	1. Product earns \$XX revenue in first year 2. Product expenses remain below X% of revenue earned. 3. Net charge-offs remain below X%.
<b>Product Goal 2: Product Growth</b> Product should attract customers based on the needs identified in the market.	1. X customers enroll with product within the first six months. 2. X% of customers who apply for product enroll.
<b>Product Goal 3: Consumer Impact</b> Product should meet consumer needs and deliver consistent value.	1. X% of customers repay loan ontime. 2. X% of customers report high satisfaction with product.
<b>Product Goal 4: Further the organizational mission</b> Improved awareness of organization and adoption of products.	1. X% of customers are new to the organization. 2. X% of customers enroll in other products offered by the organization.



Provided by OPPORTUNITYFINANCE NETWORK

## Continuous Improvement Cycle



Provided by OPPORTUNITYFINANCE NETWORK

## Continued Product Refinement

1. Continued research on evolving customer needs
2. Understanding market trends and competitor positioning
3. Being mindful of environmental barriers (regulation, failed partnerships)
4. Ensuring profitability and sustainability of product



Provided by OPPORTUNITYFINANCE NETWORK

## Recommendations

- 1. Have a structured approach to product development
- 2. Have a clear vision for success and your overall purpose
- 3. Keep learning



Provided by OPPORTUNITYFINANCE NETWORK

# Practitioner Experience: Developing New Products

Brandon Napoli  
Director of Microlending  
Valley Economic Development Center



Provided by OPPORTUNITYFINANCE NETWORK 

## QUESTIONS?



Provided by OPPORTUNITYFINANCE NETWORK 

# ADDITIONAL RESOURCES & CONTACT INFORMATION



Provided by OPPORTUNITYFINANCE NETWORK

## Scaling Up Microfinance Fall Webinar Series

- **New Product Development**  
– *Ashvin Prakash and Brenton Peck, CFSI*
- **Underwriting to Scale**  
– *Leslie Hoffman and Luz Gomez, FIELD at the Aspen Institute*
- **Customer Acquisition-Reaching and Retaining Your Customers**  
– *Ginger McNally, OFN and Maria Semple, The Prospect Finder*
- **Loan Fund and Credit Union Collaborations**  
– *Seth Julyan, OFN and Melanie Stern, The Federation*
- **The Role of Market Research in Scaling Microfinance**  
– *Tammy Halevy, AEO*

Oct  
24

Nov  
1

Nov  
8

Nov  
11

Nov  
21



Provided by OPPORTUNITYFINANCE NETWORK

## CDFI Fund's Virtual Resource Bank

www.cdfifund.gov/what\_we\_do/Scaling\_Up\_Microfinance\_Resource\_Bank.asp

- WHO WE ARE
- WHAT WE DO
- IMPACT WE MAKE
- NEWS & EVENTS
- HOW TO APPLY

### COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

UNITED STATES DEPARTMENT OF THE TREASURY

#### Scaling Up Microfinance: Resource Bank

The resources for this topic can be found below. To view all of our available Resource Banks, click [here](#).

##### I. Training Curriculum

- Innovative Business Models
- New Products
- Talent Management
- Technology Solutions

##### II. Training Webinars

- Innovative Business Models
- Talent Management
- New Products
- Technology Solutions
- Loan Repayment

##### III. Additional Resources

- Microfinance Landscape and Borrower Experience and Need
- Innovative Business Models
- New Products and Services
- Technology Solutions
- Talent Management



Provided by **OPPORTUNITYFINANCE NETWORK**

## Contact Information

- Pam Porter  
Executive Vice President  
Strategic Consulting  
Opportunity Finance Network  
[pporter@opportunityfinance.net](mailto:pporter@opportunityfinance.net)  
215-320-4303
- Alexandra Jaskula  
Associate  
Strategic Consulting  
Opportunity Finance Network  
[ajaskula@opportunityfinance.net](mailto:ajaskula@opportunityfinance.net)  
215-320-4325



Provided by **OPPORTUNITYFINANCE NETWORK**

## Scaling Up Microfinance



# New Product Development for the Underserved Market

Ashvin Prakash and Brenton Peck,  
Center for Financial Services Innovation

October 24, 2013



Provided by OPPORTUNITYFINANCE NETWORK 